



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 1/12/2004

GAIN Report Number: CA4003

Canada

Agricultural Situation

This Week in Canadian Agriculture, Issue 1 2004

Approved by:

Gary Groves
U.S. Embassy

Prepared by:

George Myles, Matthew Cahoon

Report Highlights:

Canada's Response To U.S. BSE Incident Is Measured * Ban On U.S. Pet Food Partially Lifted
* CFIA Increases BSE Testing * Alberta Premier Hints At More BSE Testing * Mandatory
Traceback Tags For Canadian Sheep * Parmalat Problems Haven't Reached Canada * Railway
Grain Revenue Below Revenue Caps For Crop Year 2002/2003 * Barley Returns To Western
Canada As Feed Of Choice * And More

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Ottawa [CA1]
[CA]

This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives.

Disclaimer: Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

CANADA'S RESPONSE TO U.S. BSE INCIDENT IS MEASURED: In what the Canadian Food Inspection Agency termed a precautionary measure, Canada implemented import restrictions on a range of U.S. beef and ruminant products following the confirmation of BSE in a Washington dairy cow. Canada still allows imports of U.S. cattle for immediate slaughter and boneless beef from cattle less than thirty months of age subject to the development of appropriate administrative and legal procedures and an expected certification process with U.S. animal and meat inspection authorities. However, imports from the U.S. of a wide range of ruminant products are banned. CFIA officials indicate that the prohibition on some of these products will be temporary and be lifted when regulatory amendments and/or certification processes are developed in the days ahead. For a current list of Canada's import restrictions and exemptions, go to the following CFIA webpage:

<http://www.inspection.gc.ca/english/anima/heasan/disemala/bseesb/america/imprestricte.shtml>

BAN ON U.S. PET FOOD PARTIALLY LIFTED: On January 7, 2003 the Canadian Food Inspection Agency (CFIA) partially lifted the ban on imports of U.S. pet foods. Under its interim import restrictions related to the BSE incident in Washington State, the CFIA has removed "commercially prepared pet food not containing bovine meat or bovine derived ingredients" from its Interim Import Restriction list. Reportedly milk and milk products are acceptable (ingredients).

CFIA INCREASES BSE TESTING: Effective immediately, Canada will increase the number of animals tested annually for BSE at an estimated cost of C\$92.1 million over five years. The Canadian Food Inspection Agency's target is to test a minimum of 8,000 animals over the next 12 months, and then progressively increase the level to 30,000 head. The ultimate number of animals tested will reflect international standards, which are expected to be revised over the next one to two years. Testing will focus on the those animals most at risk of BSE. Enhancements are also being introduced to strengthen Canada's cattle identification program

ALBERTA PREMIER HINTS AT MORE BSE TESTING: Given that North America's second incident of BSE was also traced to an Alberta farm, provincial Premier Ralph Klein was on a damage control mission this week. He told news reporters that Alberta may test all cattle slaughtered at a provincial facility for BSE in an effort to restore international confidence in its beef industry. Comment: The majority of cattle slaughter in Alberta is conducted at federally inspected premises. Provincially inspected cattle slaughter in the province would account for only a small fraction of the total.

MANDATORY TRACEBACK TAGS FOR CANADIAN SHEEP: Patterned after Canada's national ID program for cattle, the Canadian Sheep ID program commenced on January 1, 2004. Under the program, every Canadian sheep must be identified with an official tag before leaving the herd of origin or co-mingling with sheep of other owners. The producer of the herd of origin

is responsible for buying the official tag, applying it to the animal prior to departure from the herd, and maintaining records with respect to breeding sheep arriving at the farm. The Canadian Cattle Identification (ID) program was introduced on January 1, 2001 and was designed to assist in tracing any sources of disease and food safety problems.

RECORD ONTARIO WHEAT CROP RESULTS IN INCREASED EXPORTS TO U.S.: Due to regulatory reform of the Ontario Wheat Board and a record winter wheat crop expected 2003/04, Ontario wheat exports to the U.S. are expected to triple from historical averages. This development may have significant implications for the current U.S.-Canada dispute over the status of the Canadian Wheat Board and also add weight to the theory that the removal of the mandatory marketing requirements of the CWB could result in significant increases in exports of Western Canadian spring wheat to the U.S. For more information, see GAIN report CA4002.

BARLEY RETURNS TO WESTERN CANADA AS FEED OF CHOICE: A January 5, 2004 article on *FarmAssist.ca* reported that barley has once again become the preferred feed of choice in Western Canada, but given the uncertainty facing Canada's cattle sector, end-users are expected to remain as only "hand-to-mouth" buyers, according to industry sources. "Outlets in Alberta that used to regularly bring in U.S. corn are no longer doing so," a Winnipeg Commodity Exchange (WCE) floor trader said. "A lot of the facilities that had been converted to handle U.S. corn, are no longer doing so, and have already switched back to feed barley." There is still some U.S. corn making its way into Western Canada because of its high-energy value, but more so for the hog sector, the trader added. A decent sized barley crop this summer has resulted in feed barley trading at a discount to U.S. corn, which is considered a more traditional relationship, said Charlie Pearson, an analyst with Alberta Agriculture and Food. "At present, feed barley in Western Canada has about a C\$20 advantage over that of bringing in U.S. corn," he said. "If feed barley values in the cash market were to climb above that of U.S. corn, then U.S. corn would be making its way back into Western Canada in a heart beat," the WCE floor trader said.

CN AND CP WESTERN GRAIN REVENUE BELOW REVENUE CAPS FOR CROP YEAR 2002/2003: In a December 30, 2003 news release from the Canadian Transportation Agency (CTA), CTA Chairman Marian Robson announced that the CTA, in its Decision No. 713-R-2003, has found that Canadian National and Canadian Pacific Railway (CN and CP) revenues for the movement of Western grain did not exceed their revenue caps for crop year 2002/2003. CN's grain revenue of \$175.7 million was \$17.3 million below its revenue cap of \$193.0 million while CP's grain revenue of \$226.0 million was \$6.6 million below its revenue cap of \$232.6 million. If a railway company exceeds its revenue cap in a crop year, it must pay out the excess amount and the applicable penalty to the Western Grains Research Foundation. In the course of establishing Western grain revenue, the CTA examined and verified detailed railway submissions of grain traffic and revenue information. The revenue cap applies to the movement of grain from Prairie origins to terminals at Vancouver, Prince Rupert, Thunder Bay and Churchill.

CANADA INITIATES PRELIMINARY ANTI-DUMPING INQUIRY INTO FROZEN SELF-RISING PIZZA IMPORTS FROM THE U.S.: On January 2, 2004, Canada announced the initiation of an investigation into the alleged injurious dumping of frozen self-rising pizza from the U.S. Canada started the investigation after receiving a complaint filed by McCain Foods Limited of Florenceville, New Brunswick. The company alleges that the dumping of the goods in question is harming Canadian production by causing price erosion, price suppression and lost sales. Entities and/or governments wishing to participate in the inquiry must file a notice of participation with the Canadian International Trade Tribunal on or before January 15, 2004. For additional information, see GAIN report CA4001. *Comments: Given the significant decrease in the quantity of frozen pizza imported in the first 10 months of 2003, the*

Canadian International Trade Tribunal could have difficulty proving that U.S. imports have caused injury to the Canadian industry.

PARMALAT PROBLEMS HAVEN'T REACHED CANADA: Despite Parmalat's current bankruptcy protection status, Italian food giant Parmalat says it's business as usual for its Canadian operations, reports The January 3, 2004 *London Free Press*. A statement issued by Parmalat's head office in Toronto said the company operates independently in North America and continues to conduct "business as usual." The company is a major player in the Canadian dairy food market with \$2.5 billion in sales of brands that include Beatrice milk, Lactantia butter, Astro yogurt and Black Diamond cheese. Besides its 25% share of the eastern Canadian milk market, Parmalat controls an estimated 40% of the processed cheese market, 40% of the yogurt and 33% of the cream cheese market in Canada, says the article. Previous media articles had speculated about possible buyers, such as Weston, which already owns Neilson Dairy, to Montreal's Saputo Group, which lost out to Parmalat on a bid to buy Ault Foods in 1997, of Parmalat's Canadian operations with its 4,300 employees. Parmalat, which has annual sales of around \$9.2 billion, employs 36,000 people in 29 countries.

BEVERAGE PRODUCERS TO TAKE SOFTDRINKS OUT OF SCHOOL VENDING MACHINES: Refreshments Canada, the trade association representing the broad spectrum of brands and companies that manufacture and distribute the majority of non-alcoholic liquid refreshment beverages consumed in Canada has announced that it by September, Canadian beverage manufacturers will offer only non-carbonated beverages for sale in vending machines in elementary and middle schools. The companies will ensure that 50% or more of the beverage selections offered for sale in elementary and middle school vending machines are water and 100% fruit juices. The remaining selections will be a variety of other non-carbonated beverages such as juice drinks and sports drinks.

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